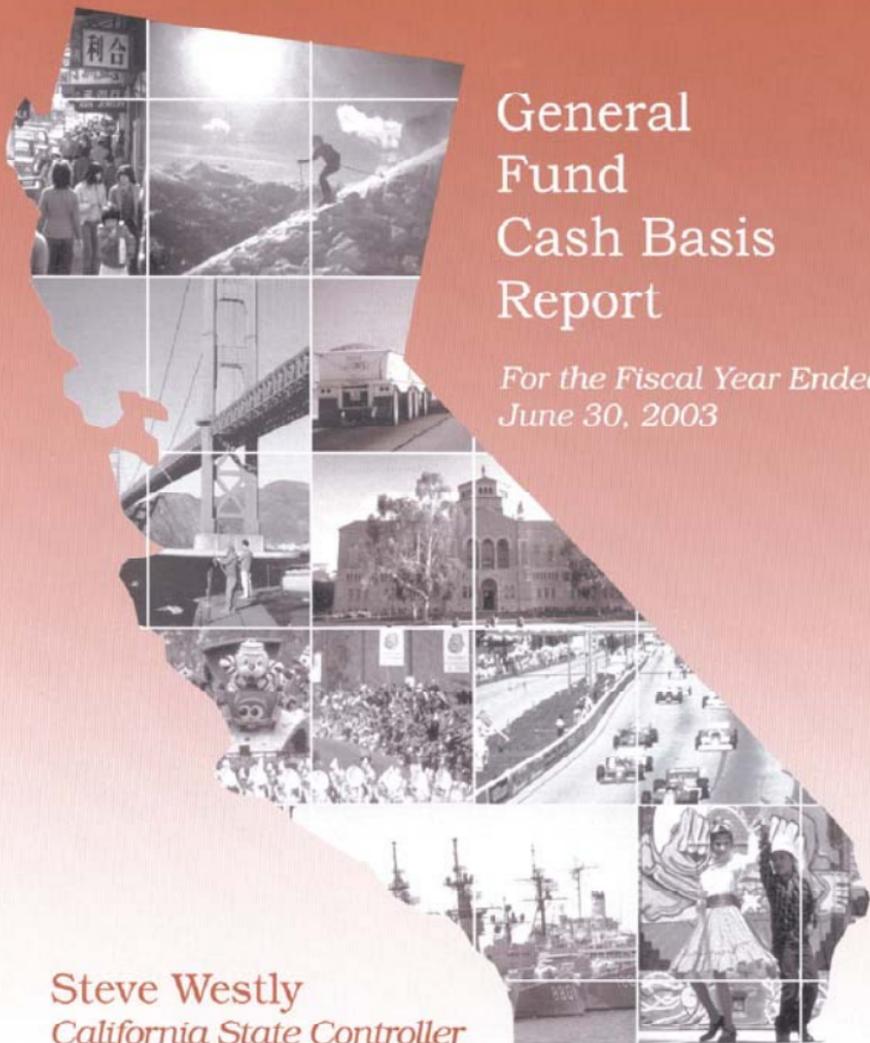


State of California

General Fund Cash Basis Report

*For the Fiscal Year Ended
June 30, 2003*

Steve Westly
California State Controller





STEVE WESTLY

California State Controller

July 10, 2003

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 2003. The General Fund, the State's primary funding source for general government services, ended the 2002-03 fiscal year with a cash deficit before loans of \$10.5 billion, which is \$100 million more than the cash deficit of \$10.4 billion at the beginning of the year. The primary causes of the deficit were \$5.1 billion less personal income tax revenues than expected and the suspension of a \$2.0 billion tobacco securitization bond sale.

The State manages General Fund cash shortages through a combination of internal and external borrowing. On June 24, 2002, the State Controller's Office issued \$7.5 billion in Revenue Anticipation Warrants (RAWs) to meet cash flow needs for the early part of the 2002-03 fiscal year. RAWs of \$1.5 billion and \$6.0 billion were repaid on October 25, 2002, and November 27, 2002, respectively. At the State Controller's request, on October 16 and November 6, 2002, the State issued \$9.0 billion and \$3.5 billion in Revenue Anticipation Notes (RANs) to meet cash flow needs during the 2002-03 fiscal year. On June 18, 2003, the State Controller's Office issued \$11.0 billion in RAWs to repay the \$12.5 billion in RANs due in June 2003 and to assist in meeting the cash flow needs for the 2003-04 fiscal year. The State closed its fiscal year with \$11.0 billion in external borrowing.

This report is available on the Internet at the State Controller's homepage, www.sco.ca.gov, under the category "Publications – State Government Annual Financial Reports."

This report is published to provide authoritative information, using the cash basis of accounting, concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, portray a complete picture of the State's operations or financial position. After the State Auditor completes the audit of the State's finances, I will issue the *Comprehensive Annual Financial Report*, prepared in conformance with generally accepted accounting principles. At that time, the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget, will also be issued.

Sincerely,

Originally Signed by

STEVE WESTLY
California State Controller

Statement of Cash Receipts, Disbursements, and Balances

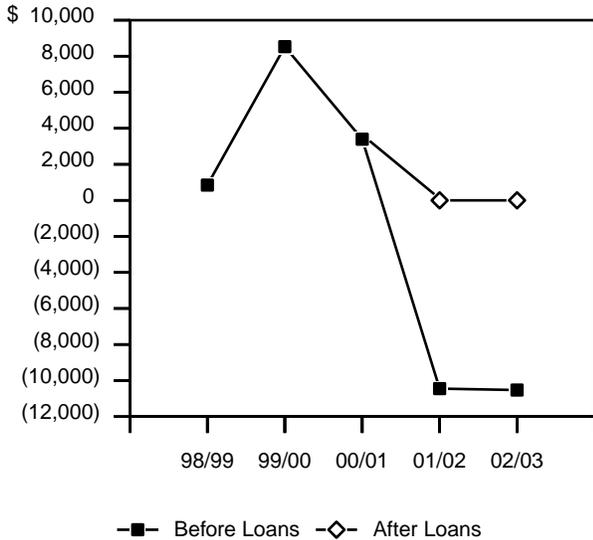
(Amounts in thousands)

	Year Ended June 30,	
	2003	2002
General Fund Beginning Cash Balance Before Loans, July 1	\$ (10,447,980)	\$ 3,394,277
Receipts		
Revenues	68,629,213	64,341,833
Nonrevenues (Note 1)	9,957,806	2,262,675
Total Receipts	78,587,019	66,604,508
Disbursements		
State Operations	18,671,711	18,976,654
Local Assistance	59,303,244	58,303,226
Capital Outlay	160,138	411,461
Nongovernmental (Note 1)	530,836	2,755,424
Total Disbursements	78,665,929	80,446,765
Receipts Over (Under) Disbursements	(78,910)	(13,842,257)
General Fund Ending Cash Balance Before Loans, June 30	(10,526,890)	(10,447,980)
Loans (Note 2)		
From Special Fund for Economic Uncertainties	—	2,524,519
From Special Funds and Accounts	—	423,461
From Revenue Anticipation Warrants	10,965,000	7,500,000
Total Loans	10,965,000	10,447,980
General Fund Ending Cash Balance After Loans, June 30	438,110	—
Special Fund for Economic Uncertainties, June 30	2,524,519	—
Total Cash, June 30 (Note 1)	\$ 2,962,629	\$ —
Borrowable Resources (Note 2)		
Available Resources		
From Special Fund for Economic Uncertainties	\$ 2,524,519	\$ 2,524,519
From Special Funds and Accounts	7,877,002	10,455,168
From Revenue Anticipation Warrants	10,965,000	7,500,000
Total Available Resources	21,366,521	20,479,687
Total Loans	10,965,000	10,447,980
Unused Resources	\$ 10,401,521	\$ 10,031,707

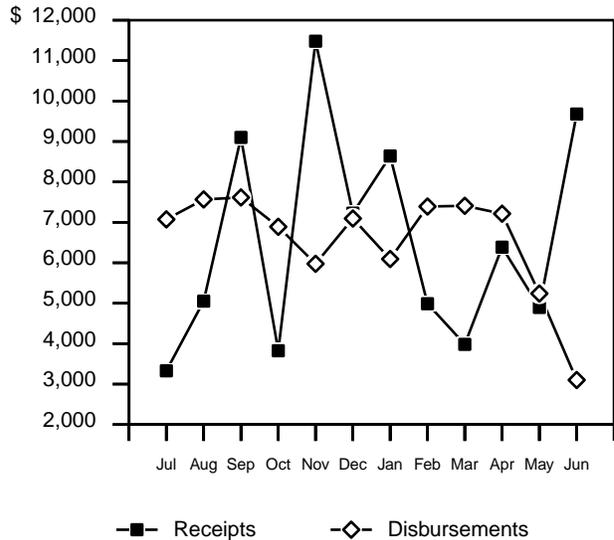
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

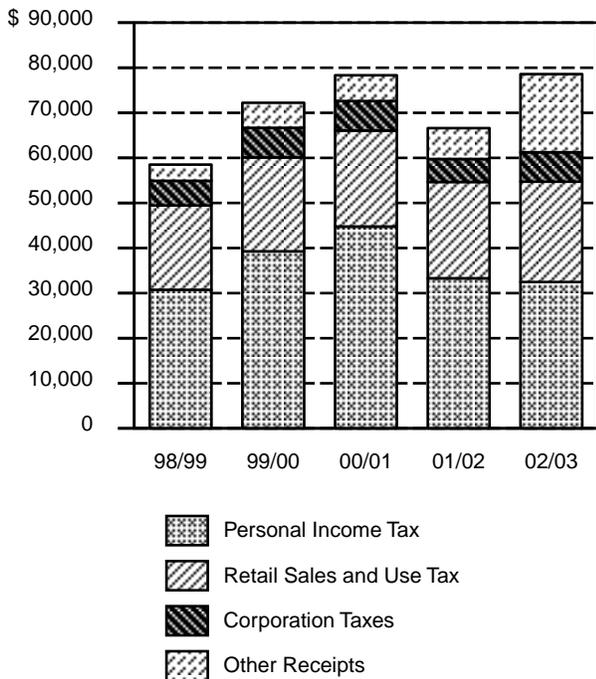
**Ending Cash Balances
Last Five Fiscal Years**



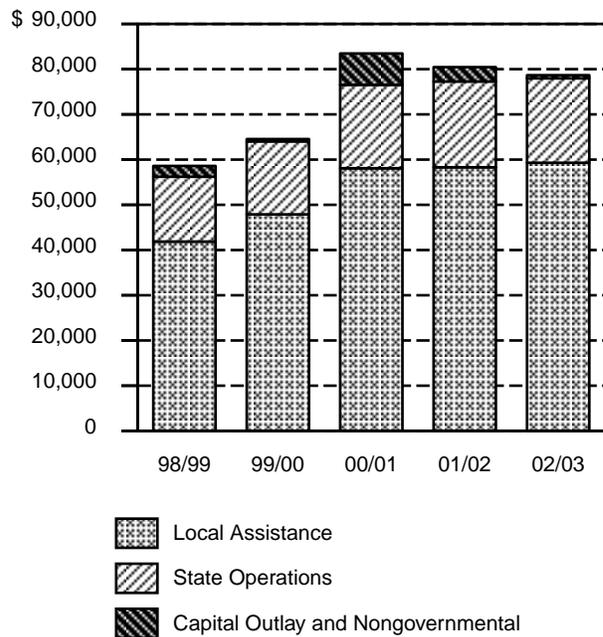
**Monthly Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2003**



**Cash Receipts
Last Five Fiscal Years**



**Cash Disbursements
Last Five Fiscal Years**



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2003	2002
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 32,464,931	\$ 33,295,428
Retail Sales and Use Taxes	22,265,071	21,368,831
Corporation (Income) Taxes	6,509,506	5,088,175
Tobacco Securitization (Note 3)	2,485,048	—
Insurance Gross Premiums Tax	1,870,608	1,590,753
Estate, Inheritance and Gift Tax	932,005	1,000,488
Excise Tax on Beer and Wine	150,414	151,080
Excise Tax on Distilled Spirits	139,014	145,372
Cigarette Tax	121,909	113,748
Total Major Taxes and Licenses	66,938,506	62,753,875
Minor Revenues		
Abandoned Property	237,827	296,202
Pooled Money Investment Income	211,318	480,244
State Lands Royalties	74,246	15,303
Health Care Deposit Fund Receipts	13,646	13,782
Private Rail Car Tax	6,416	6,381
Horse Racing (Parimutuel) License Fees	3,297	3,153
Liquor License Fees	2,424	2,434
Trial Court Revenues	288	538
Miscellaneous (Note 4)	1,141,245	769,921
Total Minor Revenues	1,690,707	1,587,958
Total Revenues	68,629,213	64,341,833
NONREVENUES		
Transfers from Electric Power Fund (Note 5)	6,094,067	116,300
Transfers from Other Funds (Note 6)	3,272,198	1,761,202
Transfers from Special Fund for Economic Uncertainties	—	10,280
Miscellaneous	591,541	374,893
Total Nonrevenues	9,957,806	2,262,675
TOTAL RECEIPTS	\$ 78,587,019	\$ 66,604,508

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2003	2002
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 1,229,072	\$ 1,226,718
Resources (Note 5)	831,227	1,091,844
State and Consumer Services	460,492	468,095
Environmental Protection Agency	160,918	374,420
Technology, Trade, and Commerce Agency	29,281	37,273
Business, Transportation, and Housing	7,048	25,586
Health and Human Services		
Mental Health Hospitals	523,091	493,537
Health Services	231,038	237,110
Other Health and Human Services	607,942	551,025
Total Health and Human Services	1,362,071	1,281,672
Youth and Adult Correctional Agency	5,499,497	4,896,279
Education		
University of California	3,127,953	3,332,938
State Universities and Colleges	2,708,162	2,598,314
Other Education	182,656	189,586
Total Education	6,018,771	6,120,838
Debt Service	1,727,045	2,309,911
General Government	1,112,680	1,128,620
Interest on Loans	313,007	110,647
Public Employees Retirement System	(79,398)	(95,249)
Total State Operations	18,671,711	18,976,654
LOCAL ASSISTANCE		
Judicial/Executive	1,250,409	1,381,134
Business, Transportation, and Housing	137,559	5,647
Resources	79,496	64,213
Environmental Protection Agency	3,317	5,281
State and Consumer Services	—	90,279
Health and Human Services		
Department of Health Services	10,650,671	10,510,869
Department of Social Services	7,871,564	7,257,810
Department of Developmental Services	1,351,160	1,439,799
Department of Mental Health	391,581	334,730
Other Health and Human Services	911,493	1,084,207
Total Health and Human Services	21,176,469	20,627,415

(Continued)

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2003	2002
Youth and Adult Correctional Agency	\$ 155,916	\$ 129,261
Education		
K-12 Education	25,276,094	26,333,915
Community Colleges	2,747,690	2,727,234
Teachers' Retirement System	975,522	871,774
Other Education	2,314,966	2,418,459
Total Education	31,314,272	32,351,382
Tax Relief		
Vehicle License Fee Offset (Note 7)	3,925,424	2,393,925
Homeowners Property Tax Relief	414,211	405,460
Senior Citizens Renters Assistance	149,341	147,593
Senior Citizens Property Tax Deferral and Assistance	48,777	48,563
Subventions for Open Space	41,782	37,129
Miscellaneous Tax Relief	238	244
Total Tax Relief	4,579,773	3,032,914
General Government	606,033	615,700
Total Local Assistance	59,303,244	58,303,226
CAPITAL OUTLAY		
Total Capital Outlay	160,138	411,461
NONGOVERNMENTAL		
Transfer to Other Funds	176,603	304,480
Transfer to Revolving Fund	88,279	69,978
Transfer to Special Fund for Economic Uncertainties	—	2,391,514
Advances		
Counties for Social Welfare	232,615	(8,108)
Social Welfare Federal Fund	75,755	(8,460)
State-County Property Tax Administration Program	(42,416)	6,020
Total Nongovernmental	530,836	2,755,424
TOTAL DISBURSEMENTS	\$ 78,665,929	\$ 80,446,765

(Concluded)

Notes to Statements and Schedules

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent that there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

B. General Fund

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the Special Fund for Economic Uncertainties, if any, in the report's balances, except for the balance titled "Total Cash, June 30."

C. Nonrevenue Receipts

Nonrevenue receipts are transfers or miscellaneous receipts from other funds that do not represent revenues of the General Fund. "Transfers from Other Funds" are legally authorized movements of money into the General Fund from other funds that are responsible for the initial receipt of the money. "Miscellaneous" nonrevenue receipts include reimbursements that are not credited to a specific appropriation, and certain other receipts that are not defined as revenue.

D. Nongovernmental Disbursements

Nongovernmental disbursements are transfers or advances to other funds that do not represent expenditures of the General Fund. "Transfers to Other Funds" are legally authorized movements of money from the General Fund, which is responsible for the initial receipt of the money, to other funds that are responsible for the actual expenditure. "Advances" include legally authorized loans to other funds and governmental entities, and the repayments of those loans. Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

NOTE 2

BORROWABLE RESOURCES

Government Code Sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury to meet the State's short-term borrowing needs. Chapter 268, Statutes of 1984, authorizes the State to borrow from external sources prior to exhausting internal sources. External sources of funds are obtained by issuing Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants.

With respect to short-term external borrowing, on June 24, 2002, the State Controller's Office issued \$7.5 billion in RAWs to meet cash flow needs for the early part of the 2002-03 fiscal year. The principal amount of \$1.5 billion was repaid on October 25, 2002, and the principal amount of \$6.0 billion was repaid on November 27, 2002. At the State Controller's request, on October 16 and November 6, 2002, the State issued \$9.0 billion and \$3.5 billion in RANs, which were repaid in June 2003. On June 18, 2003, the State Controller's Office issued \$11.0 billion in RAWs, which will mature on June 16, 2004.

NOTE 3 **TOBACCO SECURITIZATION**

On November 16, 1998, eight states, including California, and four major tobacco companies agreed to settle pending lawsuits brought by the states against the tobacco industry. The settlement agreement requires the tobacco companies to make payments to the State of California in perpetuity. During the 2002-03 fiscal year, the State issued \$2.5 billion in Tobacco Securitization Bonds to provide additional cash resources for General Fund programs. These bonds are secured by the tobacco settlement payments that will be received by the State beginning in the 2003-04 fiscal year.

NOTE 4 **MISCELLANEOUS MINOR REVENUES**

Receipts that are not otherwise categorized are reflected in this account. Significant receipts of this account are: \$329 million and \$314 million received during the 2001-02 and 2002-03 fiscal years, respectively, in association with child support collections; and \$525 million of interest earnings received during the 2002-03 fiscal year from the Electric Power Fund for General Fund loans.

NOTE 5 **ENERGY**

On January 17, 2001, the Governor declared a state of emergency and authorized the Department of Water Resources (DWR) to purchase electricity on behalf of the investor-owned utilities. During the 2000-01 fiscal year, \$6.2 billion was loaned from the General Fund and the Special Fund for Economic Uncertainties to the DWR's Electric Power Fund for electricity purchases. The DWR repaid the General Fund \$116 million of principal during the 2001-02 fiscal year. In fiscal year 2002-03, the DWR issued \$11.3 billion in Energy Revenue Bonds and used part of the proceeds to repay the General Fund in full, \$6.1 billion of principal and \$525 million of accrued interest. The interest payment is reported as miscellaneous revenue in the Minor Revenues category.

NOTE 6 **TRANSFERS FROM OTHER FUNDS**

The "Transfers from Other Funds" combines loans from other funds and the return of General Fund resources from other funds and accounts.

NOTE 7 **VEHICLE LICENSE FEE (VLF) OFFSET**

Chapter 322, Statutes of 1998, established a phased-in VLF reduction program. Beginning January 1, 2001, the reduction was increased to 67.5%. The General Fund transferred \$2.4 billion and \$3.9 billion for the 2001-02 and 2002-03 fiscal years, respectively, to the Motor Vehicle License Fee Account and the Local Revenue Fund to offset the impact of these reductions on local governments. This legislation also provided for the elimination of the VLF reduction and offset program when insufficient monies are available in the General Fund. On June 20, 2003, the Department of Motor Vehicles (DMV) was officially notified that there were insufficient monies in the General Fund to fund the offset. As a result, VLF charges will increase when the elimination of the 67.5% reduction takes effect on October 1, 2003.